

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6944

BILL NUMBER: HB 1580

NOTE PREPARED: Jan 22, 2007

BILL AMENDED:

SUBJECT: Medicaid Spend-Down Income Limit Increase.

FIRST AUTHOR: Rep. Bischoff

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning (OMPP) to apply to the federal government to amend the Medicaid State Plan to raise the state's Medicaid spend-down income limitations by specified amounts.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill would decrease the amount of medical expenses that individuals who qualify for Medicaid under the aged, blind, or disabled eligibility category with incomes higher than the income standards must incur in order to qualify for Medicaid services each month. The bill would increase the number of individuals or married couples with monthly spend-down requirements who would automatically qualify for Medicaid coverage each month. The bill increases monthly spend-down limitations by \$200 for individuals and \$400 for married couples. Medicaid covered expenses that otherwise would be the responsibility of the individual, would be assumed by the Medicaid program for reimbursement at Medicaid rates allowing the recipients the additional income to meet other living expenses.

Spend-down recipients do not necessarily qualify for Medicaid every month. Once the spend-down is met, the recipient becomes eligible for Medicaid and the state must include \$88.04 per member to meet the federal clawback provision of the Medicare Part D program. This will affect the fiscal impact of the bill to the extent that members previously not meeting spend-down requirements each month would now be automatically eligible each month under the increased income standards.

There was an average of 31,920 members per month that had spend-down obligations during CY 2006. The statewide total spend-down obligation for CY 2006 was \$112.1 M. [Detailed cost estimates will be provided

when available.]

Background: Spend-down is a provision that allows a person whose income exceeds the Medicaid financial eligibility standard to receive some Medicaid assistance. The degree to which income exceeds the eligibility standard is the amount of the spend-down required before the applicant becomes eligible for Medicaid each month. The current income standard is \$603 per month for a single applicant and \$904 per month for a couple. Resource limits of \$1,500 for individuals or \$2,250 for couples are also imposed on this population. Spending must be for medical expenses that are not subject to or paid by insurance, although payments made by state or local programs will count towards an applicant's monthly spend-down obligation. Once the spend-down obligation is met for the month, Medicaid pays for any other covered services incurred in that month.

Documentation of spend-down obligations was done on a manual basis by the recipients with the local offices of the Division of Family Resources. Beginning in January 2006, OMPP implemented a new system that treats the spend-down obligation in a manner similar to an insurance deductible. Medical providers file their claims with Medicare or other insurers first. A Medicaid claim is filed once Medicare or other insurers have processed the claim. Medicaid deducts the spend-down amount from the claim and notifies the provider that they may bill the patient for the amount that Medicaid does not pay. In certain other circumstances, the recipient must still provide bills or receipts to their local Office of Family Resources.

Medicaid is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: *Medicaid and CHIP Expenditure Forecast: FY 2004 - FY 2009*, 12/13/2006. OMPP, Family and Social Services Administration.

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